

The complaint

Mr K complains that Revolut Ltd won't refund the money he lost when he was the victim of a scam.

What happened

In April 2023, Mr K received a text message that appeared to be intended for someone else. He replied that the person sending the message appeared to have the wrong number, but the person then started messaging him and they began a conversation.

After some time, the person sending the messages started telling Mr K about the money they were making investing with cryptocurrency and encouraging him to invest as well. And as Mr K trusted the person at this point, he agreed.

The person helped Mr K open an account with Revolut and several cryptocurrency exchanges, and then showed him how to buy cryptocurrency and deposit it onto the investment platform they used. Mr K then made a number of payments from his Revolut account to purchase cryptocurrency, which was sent on to wallet details he was given for the platform.

I've set out the payments Mr K made from his Revolut account below:

Date	Details	Amount
17 May 2023	To 1 st payee	£500
1 June 2023	To cryptocurrency exchange	£2,000
4 June 2023	To cryptocurrency exchange	£9,800

Unfortunately, we now know the investment was a scam. The scam was uncovered after Mr K asked to withdraw the profit the platform showed he had made, but was told he needed to pay a significant amount more in before he could make a withdrawal. Mr K then reported the scam to Revolut and asked it to refund the money he had lost.

Revolut investigated but said Mr K had initiated and authorised all the payments, and the controls it had in place were proportionate and appropriate. So it didn't agree to refund the payments he had made. Mr K wasn't satisfied with Revolut's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think anything we would have expected Revolut to have done would have uncovered the scam or prevented Mr K from making the payments. So they didn't think Revolut should have to refund the money Mr K lost. Mr K disagreed with our investigator, so the complaint has been passed to me.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position at law is that an Electronic Money Institution (“EMI”) such as Revolut is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer’s account.

Taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable that from May 2023 Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does);
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

But, even if Revolut had recognised that Mr K was at heightened risk of financial harm from fraud when making some of these payments, I don’t think the action I would have expected it to take would have prevented his loss. I’ll explain why below.

The first two payments Mr K made here weren’t for particularly large amounts, or for amounts where I’d have expected Revolut to identify a risk based on their size alone. He’d only recently opened the account, so there wasn’t much previous activity for Revolut to compare the payments to when assessing whether they were unusual or out of character. And the payments were more than two weeks apart and weren’t obviously connected, so I don’t think they formed a particularly suspicious pattern either. And so I wouldn’t have expected Revolut to identify that Mr K was at heightened risk of financial harm from fraud as a result of these first two payments.

I’m satisfied Revolut ought to have recognised that Mr K was at heightened risk of financial harm from fraud when he tried to make the third payment, for £9,800 on 4 June 2023. This payment was for a much larger amount, and a significantly larger amount than the payments previously made on the account. It was also the second payment to the cryptocurrency exchange in a few days, and a significantly larger amount than the earlier payment to the cryptocurrency exchange – which is a pattern often seen when customers are falling victim to a scam. So I think Revolut should have recognised a risk here.

I think a proportionate response to the risk I think Revolut should have identified would have been for it to provide Mr K with a tailored written warning relevant to cryptocurrency investment scams, and highlighting some of the key features of those types of scam. But, had it done this, I’m not persuaded that it would have prevented Mr K’s loss.

Revolut showed Mr K a series of warnings and educational screens when he made the second payment here. It warned him the payment may be part of a scam and asked him what the purpose of the payment was. But Mr K selected that the payment was for 'something else', despite being given the option to select 'investment' or 'cryptocurrency' which would seem to have been more appropriate and more accurate explanations for what Mr K thought he was doing.

Revolut then also showed Mr K a warning which said scammers can pressure and persuade you to ignore warnings and, if he was being told to ignore warnings like this, then it was a scam. But Mr K continued with the payment. And, from what I've seen of his communication with them, the scammer told Mr K not to mention the investment platform or that they were helping him with the investment. They also told him to ignore the warning Revolut gave that the payment was suspicious and that he should just continue with the payment – which Mr K then did.

So even if Revolut had shown Mr K a tailored written warning relevant to cryptocurrency investment scams when he tried to make the third payment here, I think Mr K would likely have discussed this warning with the scammer and followed their encouragement to continue with the payment – as happened with the warning he was shown for the second payment. And so I don't think any warning I would have expected Revolut to show would have stopped him from making the payments or losing the money he did.

Mr K has argued that Revolut should have carried out some form of human intervention when he tried to make the third payment, and asked him open-ended and probing questions about the payment – which he says would have uncovered the scam. But, based on the risk I think it should have identified, I wouldn't have expected Revolut to go this far or ask these kinds of questions. As I explained above, I think a written warning would have been appropriate here.

I appreciate that Mr K has been the victim of a cruel scam and that my decision will come as a disappointment to him. He has lost a significant amount of money and I sympathise with the position he has found himself in. But I can only look at Revolut's responsibilities and, for the reasons I've set out above, I don't think anything I would reasonably have expected Revolut to have done would have prevented the loss he suffered. And so I don't think it would be fair to require Revolut to refund the money Mr K has lost.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 3 October 2024.

Alan Millward
Ombudsman